

**PLACER COUNTY
REDEVELOPMENT AGENCY
MEMORANDUM**

TO: Honorable Members of the Agency Board
FROM: Richard Colwell, Chief Assistant CEO-Redevelopment Director
Rae James, Deputy Director
DATE: June 13, 2006
SUBJECT: Adopt a Resolution and Approve the Redevelopment Agency Proposed FY 2006-2007 Budget in the Amount of \$26,252,898.

ACTION REQUESTED: Adopt a resolution and approve the Redevelopment Agency (Agency) Proposed FY 2006-2007 Budget in the amount of \$26,252,898.

EXPANDED BACKGROUND: Since your Board adopted redevelopment project areas in North Lake Tahoe, North Auburn, and the Sunset Industrial Area, staff has progressed from addressing the administrative, infrastructure, commercial, housing, and community involvement issues involved in the start-up of the Agency, to full implementation of a work program. Over the past fiscal year, Agency staff and County Departments under contract to the Agency have successfully completed several projects and studies within the three project areas relative to commercial development, infrastructure and affordable housing. During FY 2006-2007, the Agency will fund the implementation of twenty-one programs and several major commercial and housing projects based on studies and strategies completed and approved by your board.

These projects and programs are planned to be funded through the issuance of the Agency's first tax increment bond. It is planned in the 2006-2007 budget that approximately \$32,000,000 in tax exempt and taxable bonds will be issued in the third quarter of the fiscal year. The issuance of bonds will allow the Agency to accelerate much needed community revitalization in its three project areas, that otherwise could take another ten years to accomplish if it continued to rely on incremental receipts. Bond debt repayment is also budgeted to begin in the third quarter.

During the upcoming budget year the Agency is focusing its efforts on: 1) continuing to acquire and construct parking lots; 2) continuing to support the construction of workforce housing; 3) pursuing environmental cleanup of property located in key commercial corridors; 4) providing public infrastructure needed to encourage private investment; and 5) pursuing grants and loans to leverage Agency funds. The Agency will continue to provide management of countywide housing programs and related projects. Additionally, it will continue to work in close cooperation with several supporting County Departments, including the Department of Environmental Health, Office of Economic Development, County Counsel, the Community Development Resource Agency, and the Department of Public Works.

Tax increment (net of pass throughs to local agencies) from the three project areas is projected to increase from \$5,663,741 (FY 2005-2006 estimated actual) to \$ 6,116,835 in FY 2006-2007, an increase of 7%. This increase takes into account a reduction in tax increment as a result of the Educational Revenue Augmentation Funding (ERAF) shift from the Agency to the state. While it appears as if an ERAF shift

may not be required in FY 2006-2007, to be conservative it is included in this budget. Based on past allocations, an estimated shift is budgeted at \$385,258 representing a 7% reduction in total tax increment income. This shift does not affect the required monies to be set aside from tax increment for housing.

The Agency's FY 2006-2007 expenditure budget is \$26,252,898 (including state and private loans). Included in the expenditure budget is \$2,413,637 as a designated reserve for current programs with costs that will carry over into the following fiscal year. In 2005-2006 the Agency paid off its final loan from the County in the amount of \$547,695 for start-up costs in North Auburn.

The Agency is also responsible for acquiring and managing several state economic and housing grants and loans including California Infrastructure Bank and Community Development Block Grant (CDBG) Programs, as well as the County's Housing Trust Fund, which together add another \$5,740,632 to the Agency's work program. In accordance with State of California requirements, the Agency has determined that planning and administrative expenses are necessary to support the production, improvement, and preservation of low- and moderate-income housing.

In summary, the Agency's proposed FY 2006-2007 budget encompasses projects and programs that are spread across three distinct project areas. Each area requires separate funds and accounting, as well as reporting obligations to the State. The work plan to be funded by the Agency's proposed FY 2006-2007 budget includes the twenty-one programs presented on the following pages.

FY 2006-2007 WORK PROGRAM

NORTH LAKE TAHOE PROJECT AREA (\$18,498,538)

NORTH LAKE TAHOE - COMMERCIAL DEVELOPMENT PROGRAM

1. Tahoe City Commercial Development Strategy - The upcoming FY 2006-2007 work program includes predevelopment activities for major projects that were initiated in previous budget years. Public parking, development of gateway projects, landscape improvements, façade program, and other identified programs continue to be funded in this proposed work program. The Agency has budgeted \$7,146,630 for the implementation projects identified in the project area's strategy for the current budget year. The individual activities under this program are summarized as follows:
 - Acquisition and pre-construction activities associated with the Marina and Jackpine public parking lots
 - Support of the public signage and Main Street Programs
 - Market and economic studies for demonstration project locations
 - Initiation of gateway development projects
 - Façade and low interest commercial revitalization loan programs
 - Bond debt repayment

2. Kings Beach/Tahoe Vista Commercial Development Strategy - The FY 2006-2007 work program in Kings Beach/Tahoe Vista continues to pursue and implement initiatives identified in the updated 2006 implementation strategy. This budget provides \$3,139,347 for community gateway development projects identified as critical to the community revitalization of Kings Beach.

Within the above amount are several related major activities also included in this program, which will be funded at \$1,025,001 including bond debt repayment. Current projects include:

- Support of the public signage and Main Street Programs
- Low interest commercial revitalization loan programs
- Bond debt repayment
- Environmental site clean-up

3. Kings Beach Core Improvement Project - The Kings Beach Commercial Core Improvement Project, led by the County Department of Public Works, is in the midst of the environmental review process. The Agency joins with Caltrans, the Tahoe Regional Planning Agency, and the North Lake Tahoe Resort Association as financial partners. The project involves traffic controls, drainage controls, streetscape, and public parking. Agency bond funds in the amount of \$6,000,000 will be used over the next few years to support this project. Additionally, the Agency has budgeted \$735,044 in FY 2006-2007 for the construction of the Minnow and Salmon public parking lots in Kings Beach.
4. Reserves - Monies in the amount of \$1,431,930 have been set-aside in future years for environmental activities related to the former Chevron/Swiss Mart site and the construction of the Marina Public Parking Lot.

NORTH LAKE TAHOE - AFFORDABLE HOUSING PROGRAM

5. Housing Rehabilitation Program – This program provides housing rehabilitation and weatherization services to low-income households within Kings Beach, Tahoe Vista and Tahoe City. This year, \$476,554 is reserved for rehabilitation loans, and matching local funds consistent with the guidelines adopted by your Board. In the past ten years, approximately 41 units have benefited from this program.
6. New Multifamily Development – In the FY 2006-2007 budget, \$3,344,220 is earmarked for three affordable multifamily developments, Highlands Village, a Tahoe area multi-family project and financial assistance for the Northstar development of the Sawmill Heights project.
7. Homeownership Program – Agency staff will continue to provide technical assistance to the Planning Department for implementation of the Employee Housing Ordinance and its potential to create new home ownership and other ownership opportunities on infill parcels. In the FY 2006-2007 Budget the Agency will support this program with \$328,216.

8. Mixed-Use Development – As a result of moving forward with the implementation of demonstration projects that will require amending the TRPA Code of Ordinances, the Agency has budgeted \$1,549,937 in support of the housing component in mixed-use developments.
9. Reserves - Monies in the amount of \$346,660 have been set-aside in future years for workforce housing development.

SUNSET INDUSTRIAL PROJECT AREA (\$1,968,031)

SUNSET COMMERCIAL/INFRASTRUCTURE DEVELOPMENT PROGRAM

10. Infrastructure Project Improvements - The Sunset Project Area is deficient in transportation, drainage, and sewer system infrastructure. The area also needs a major interchange and railway crossings bridge improvements. Infrastructure financing of \$625,721 is included this budget year. Funds will be used to assist in the development of interchange, road improvements, and local utilities. The Agency has committed to a total future funding of approximately \$6,000,000 to assist in offsetting the cost of public and road improvements in the Sunset Industrial Area. Projects in the Sunset Project Area pay only 50% of traffic mitigation fees as an incentive to locate in the Project Area.
11. Highway 65 Interchange – Bond funds are planned for construction design of this major interchange in order to facilitate access to several development locations.
12. Regional Stormwater Retention – Includes construction of a retention basin to support development within the area experiencing difficulties meeting stormwater conveyance requirements. A County site has been identified that could provide almost 20% of the stormwater retention need for the area.
13. Reserves - Monies in the amount of \$635,047 have been set-aside in future years for public infrastructure activities that will promote commercial development.

SUNSET AFFORDABLE HOUSING PROGRAM

14. Housing Funds Assistance - The Sunset Industrial Project Area is not zoned for residential uses, however, the Agency is required to set aside a portion of tax increment dollars attributed to the Sunset Project Area for affordable housing in nearby communities. The Sunset Industrial Area Housing Set-Aside funds are earmarked at \$707,263 in this budget. These funds will be used as match for outside funding or to directly fund the rehabilitation and development of affordable housing near the project area, or in the southern and western parts of the County, such as Sheridan, Foresthill, Dry Creek or Granite Bay.

NORTH AUBURN PROJECT AREA (\$5,493,810)

NORTH AUBURN COMMERCIAL/INFRASTRUCTURE DEVELOPMENT PROGRAM

15. North Auburn Commercial/Infrastructure Development Strategy – Based on completed commercial studies related to Highway 49 and Bowman, specific project implementation activity under the guidance of the Redevelopment Agency and the Economic Development Division, is underway. An allocation of \$5,180,212 is recommended for identified projects. Based on studies and Board approved strategies, the following commercial loan programs, landscaping improvements, traffic studies and other strategic programming will be funded:
 - Streetscape/Beautification Project on Highway 49
 - Public Signage
 - Façade & low interest commercial loan program
 - Predevelopment activities for public infrastructure improvements
16. Highway 49 Siphon – This replacement project would replace 3,386 feet of pipe that pumps out wastewater and stops sewage leakage. Winter storms result in flows that exceed the capacity of the siphon. County staff has been required to take extraordinary measures to prevent sewage overflows. The condition of this system is a detriment to redevelopment in the North Auburn Project Area. Replacement of this system will allow redevelopment efforts to continue in both the Bowman and Highway 49 project areas.
17. Hulbert Way Improvements – Agency support will provide funds for the construction of public offsite improvements associated with the development of Auburn Plaza. The development community has been reluctant to invest along the Hwy 49 corridor because of inadequate public improvements and poor road access. This improvement will assist in the creation of new commercial areas and jobs in the redevelopment area.

NORTH AUBURN AFFORDABLE HOUSING PROGRAM

18. Housing Funds Assistance (local match) – Financing for North Auburn multifamily housing development will continue to be sought by filing state and federal applications. These funds will be provided to property owners as low-interest loans. Agency funds will provide local match for these federal and state funding programs. Funds from North Auburn will assist with the western county First Time Homebuyers Program. In the 2006-2007 budget, \$313,598 is planned as local match or direct funding for the aforementioned activities.

AGENCY-WIDE/GENERAL (\$292,519)

In addition to the projects specific to each redevelopment area, the Agency will be implementing the following general programs and activities for all project areas as opportunities and staff resources permit:

19. Promote Community Outreach and Support Programs – This program encompasses all three project areas and will include the following housing and commercial development support activities:
 - Marketing materials and brochures for promotion of specific programs such as facade loans and grants;
 - Continuing and improving community outreach programs including establishing project area newsletters;
 - Delivering PowerPoint presentations to local organizations; and
 - Reporting on housing programs and providing technical support to other County Departments.
20. Submit Economic Development Over-the-Counter Applications – The Agency will continue to seek business applicants to apply for California loan funds needed for business expansion and building rehabilitation in unincorporated areas of Placer County.
21. Pursue Community Development Reinvestment Program with Local Banks - This program is a low-interest loan program available from private banks and represents a substantial new funding source for the Agency.

PROBLEM STATEMENT: The Agency requires approval to continue its identified work program. It is necessary for your Board to approve the Agency's proposed budget for FY 2006-2007.

FISCAL IMPACT: There is no fiscal impact on the General Fund. In 2005-2006 the Agency made the final payment to the County for its start-up costs loan. The proposed FY 2006-2007 budget is fully funded by a combination of tax increment, bond proceeds, and state and federal funding.

RECOMMENDATION: Adopt a resolution and approve the Redevelopment Agency's proposed FY 2006-2007 budget in the amount of \$26,252,898.

Respectfully submitted,

Richard Colwell
Chief Assistant CEO – Redevelopment Director

Attachments: A – Agency Budget

B – Proposed Indebtedness
C – Summary Work Program
Resolution

cc Sabrina Thompson, Agency Counsel

ATTACHMENT B

PROPOSED INDEBTEDNESS

Under Article XVI, Section 16 of the California Constitution and Health and Safety Code Section 33670, a redevelopment agency is able to receive tax increment until its debts are paid. The Agency files an annual Statement of Indebtedness with the County Auditor by October 1 of each year to report its indebtedness and thus show its eligibility for the receipt of tax increments. The Agency filed its FY 2005-2006 Statement of Indebtedness with the County Auditor on September 30, 2005. The Agency is estimating the following indebtedness for FY 2006-2007:

	<u>North Tahoe</u>	<u>Sunset</u>	<u>North Auburn</u>	<u>Total</u>
<u>Proposed Indebtedness</u>				
2005-2006 Pass Through	845,518	206,366	298,563	1,350,447
General Fund Agreements	12,753,583	545,591	6,620,255	19,919,429
Agreements with Others	<u>3,324,887</u>	<u>2,212,642</u>	<u>87,458</u>	<u>5,624,987</u>
Total	16,923,988	2,964,597,006,276	26,894,863	

ATTACHMENT C

FY 2006-2007 BUDGET

SUMMARY WORK PROGRAM

For the past nine years, the Agency has managed project areas in North Lake Tahoe, North Auburn, and the Sunset Industrial Areas. The Agency's overall goals include:

- Elimination of Blighting Influences
- Revitalization, Redesign, and Rehabilitation of Stagnant or Under Utilized Areas
- Infrastructure and Public Facility Improvements
- Commercial Revitalization
- Assistance to Targeted Development
- Improvement of the Supply, Quality, and Condition of Affordable Housing

To accomplish these general Agency goals, each of the project area plans contain specific projects and programs to effectively address and eliminate blight. The Agency's Work Program and Budget for FY 2006-2007 has been developed with the purpose of implementing several of these activities including:

NORTH TAHOE PROJECT AREA

◆ Commercial/Infrastructure Development

1. Tahoe City Commercial Development Strategy:

- Site Acquisition, Public Parking Development
- Business Organization Programs, Business District Formation
- Public Signage and Community Identity Program
- Façade and Commercial Revitalization Program

2. Kings Beach/Tahoe Vista Commercial Development Strategy:

- Kings Beach Streetscape Improvements
- Environmental Site Clean-up
- Main Street Training Program/Organizational Support
- Commercial Development Assistance
- Kings Beach Gateway Projects/Public Entries

3. Kings Beach Core Improvement Project Assistance:
 - Minnow Avenue Public Parking Lot
 - Salmon Avenue Public Parking Lot
 - Bond Proceeds Contribution to Support Acquisition of Right-of-Way
4. Reserves for Environmental Activities related to the Former Chevron/Swiss Mart site and the Marina Public Parking Lot Construction

◆ Affordable Housing

5. Housing Rehabilitation Program
6. New Multifamily Development
7. Home Ownership Program
8. Mixed-Use Development
9. Reserves for Development of Workforce Housing

SUNSET INDUSTRIAL PROJECT AREA

◆ Commercial/Infrastructure Development

10. Infrastructure Project Improvements
11. Highway 65 Interchange
12. Regional Stormwater Retention
13. Reserves for Public Infrastructure Construction

◆ Affordable Housing

14. Housing Funds Assistance

NORTH AUBURN PROJECT AREA

◆ Commercial/Infrastructure Development

15. North Auburn Commercial Development Strategy:
 - Streetscape/Beautification Project on Highway 49
 - Public Signage
 - Façade & Commercial Improvement Program
 - Predevelopment Activities for public infrastructure improvements
16. Highway 49 Siphon Replacement
17. Hulbert Way Improvements (Auburn Plaza)

◆ Affordable Housing

18. Housing Funds Assistance

AGENCY-WIDE – GENERAL

19. Community Outreach and Support Programs

20. Economic Development Over the Counter Grant Applications

21. Community Development Reinvestment Programs with Local Banks

D. FY 2005-2006 ACHIEVEMENTS

During FY 2005-2006 the Agency concentrated on effectively managing the planning and implementation of projects and programs necessary to support redevelopment goals in the North Lake Tahoe, North Auburn, and Sunset Industrial project areas. The Public Works Department, Building Department, Planning Department, Economic Development Department and County Counsel, played key support roles in strategy development and project implementation. The most significant accomplishments are as follows:

◆ Administrative/Fiscal

- Prepared and submitted for Board approval the FY 2005-2006 Agency Budget
- Submitted mandated California monitoring reports in accordance with required time frames
- Received a clean audit report for the period July 1, 2004 to June 30, 2005
- Continued management of a cost and project accounting system which supports both County and State requirements
- Continued a loan agreement with the County to allow the Agency to receive its full tax increment funding for the three project areas
- Forecasted FY 2006-2007 tax increment revenues for the three project areas
- Prepared and received California and Agency Board approval for the 2006 CDBG Program Income Reuse Plan
- Continued fiscal oversight responsibilities for the County's CDBG Program Income Revolving Loan Funds
- Completed the AB 1290 Five Year Implementation Plan for North Lake Tahoe
- Completed the FY 2004-2005 Housing Production Report for the State Housing and Community Development Department
- Paid off the County's start-up operations loan in North Auburn

◆ Organizational

- Continued a cooperative interdepartmental work team approach to provide required expertise with a minimum of new resources by maximizing use of the County's current staff
- Expanded implementation of 1999 Placer County Affordable Housing Strategy which designates coordination and management of County-wide affordable housing efforts as the responsibility of the Redevelopment Agency
- Refined policies and procedures relating to organizational/managerial responsibility for the CDBG Program Income funds
- Reorganized the Agency's staff by creating new Deputy Director, Redevelopment Program Coordinator, and Loan Specialist positions
- Hired additional Sr. Redevelopment Specialists for commercial and housing activities. The Agency's full-time staffing complement is currently sixteen allocated full time positions
- Contracted with several consultants to provide expertise on specific projects and programs
- Continued coordination with the Planning Department in the implementation of the Agency's Inclusionary Housing Program, the County's General Plan Housing Element update and development of new ordinances to implement the Housing Element

◆ Community Involvement

- Provided Workforce Housing Needs information presentations to community groups
- Continued to meet with Municipal Advisory Councils and local level committees to report Agency progress and solicit input on commercial development project priorities and the Affordable Housing Implementation Strategy
- Continued to brief community groups in all three project areas on the Agency's approach to redevelopment and the community's role in providing guidance to the redevelopment process
- Worked with the County Public Information Officer to ensure that communities within each redevelopment area are kept fully informed of the on-going Agency efforts to eliminate blight and improve housing and economic conditions, focusing on the Housing Rehabilitation and the Business Improvement Programs
- Provided a five-year progress report at a public hearing before the Board regarding North Lake Tahoe

◆ Redevelopment and Business Assistance Projects/Housing Programs

- The Agency is currently addressing twenty-one redevelopment-related projects and programs as detailed in the work plan. The Agency Board item to which this budget is an attachment provides more detail on each project.

During the past year, the following progress was made on commercial and housing projects:

COMMERCIAL/INFRASTRUCTURE DEVELOPMENT:

- Continued commercial development, business outreach and community support programs
- Expanded marketing of the Business Improvement Façade Loan Program which generated approximately \$261,772 in public and private investment in project areas
- Approved three façade/commercial loans funding \$141,637 in improvements
- Provided technical assistance to small business owners regarding permit processing and site plans
- Continued business organization activities in Bowman, Kings Beach, and Tahoe City
- Began pre-construction activities on two public parking sites in Kings Beach for a planned total of 48 spaces
- Initiated easement acquisition negotiations for the Marina parking structure in Tahoe City
- Obtained design approval and initiated pre-construction activities for the Jackpine Public Parking Lot in Tahoe City
- Continued sponsorship of the California Welcome Center in Bowman
- Increased support for the North Tahoe Business Association and the Tahoe City Downtown Association for a combined total of \$130,000
- Received a CDBG Planning and Technical Assistance Grant in the amount of \$35,000 for the County to study the Newcastle/Ophir area

AFFORDABLE HOUSING:

- Allocated \$784,832 of predevelopment loans to three sites using HELP/CalHFA funds for affordable new multifamily housing developments
- Continued the County-wide Housing Rehabilitation Program with a 2003 CDBG award of \$161,000, and use of HOME and CDBG Program Income funds in Kings Beach, Tahoe Vista, Foresthill, Sheridan and other unincorporated areas
- Executed contracts needed to implement the 2004 CDBG Native American Grant of \$135,000 for housing rehabilitation in Foresthill and began pre-development activities
- Continued the First Time Homebuyers Program funded with \$500,000 in HOME funds and HOME/CDBG Program Income
- Completed a Site Feasibility Study under the 2004 CDBG PTA Grant Program with \$35,000 in funding
- Continued the Sheridan Rehabilitation Program for Housing and Sewer Lateral Upgrades
- Received an award of \$500,000 in CDBG funds to continue upgrade of sewer lines in Sheridan and fund a sewer lift station for the Domestic Violence Shelter and the Children's Shelter at DeWitt Center
- Committed to pay building permit fees estimated at \$185,000 for PEACE for Families
- Approved a loan commitment of \$97,000 to assist Habitat for Humanity's acquisition of two single family sites in an unincorporated area near Rocklin
- Received an award of \$374,000 in CDBG Native American funds to continue providing rehabilitation loans to members of an unrecognized tribe near Foresthill
- Received an award of CDBG Planning and Technical Assistance Funds of \$35,000 to conduct a Housing Incentives Survey

ATTACHMENT A

PLACER COUNTY REDEVELOPMENT AGENCY FY 2006-2007

PROPOSED BUDGET SUMMARY

Revenues	N. Tahoe 505-100	N. Auburn 505-200	Sunset 505-300	Total Economic Development	N. Tahoe 504-100	N. Auburn 504-200	Sunset 504-300	General 504-400	Total Housing	FY'06-07 Proposed Budget
Available Fund Balance	4,501,077	725,361	179,345	5,405,783	2,259,074	50,508	310,378		2,619,960	8,025,743
Total FY05-06 Revenue	7,951,874	4,454,851	1,081,423	13,488,148	3,786,513	263,090	396,885	292,519	4,739,007	18,227,155
Available Revenues	12,452,951	5,180,212	1,260,768	18,893,931	6,045,587	313,598	707,263	292,519	7,358,967	26,252,898

Expenditures	N. Tahoe 505-100	N. Auburn 505-200	Sunset 505-300	Total Economic Development	N. Tahoe 504-100	N. Auburn 504-200	Sunset 504-300	General 504-400	Total Housing	FY'06-07 Proposed Budget
Salaries & Employee Benefits	436,670	181,264	106,868	724,802	301,534	130,835	85,430	275,561	793,360	1,518,162
Services & Supplies	6,984,489	4,336,225	175,010	11,495,724	1,732,613	59,778	604,161	16,958	2,413,510	13,909,234
Other Charges	2,099,862	662,723	343,843	3,106,428	3,036,500	122,985	17,672	-	3,177,157	6,283,585
Capital Projects	1,500,000	-	-	1,500,000	628,280	-	-	-	628,280	2,128,280
Subtotal FY05-06 Expenditures	11,021,021	5,180,212	625,721	16,826,954	5,698,927	313,598	707,263	292,519	7,012,307	23,839,261
Designated FY05-06 Reserves (CIP)	1,431,930	-	635,047	2,066,977	346,660	-	-	-	346,660	2,413,637
Grand Total Expenditures	12,452,951	5,180,212	1,260,768	18,893,931	6,045,587	313,598	707,263	292,519	7,358,967	26,252,898